

Message Text

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67

ACTION EB-11

INFO OCT-01 IO-12 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 AF-10 ARA-11

EA-11 EUR-25 NEA-10 RSR-01 /220 W

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TO SECSTATE WASHDC 8889

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E. O. 11652: N/A

TAGS: ETRD, GATT, US, EEC

SUBJECT: EC- US ART XXIV:6 RENEGOTIATIONS

PASS STR FOR JACKSON

1. AFTER ANALYSIS BY THE TWO DELEGATIONS OF US GROSS CLAIMS ARISING FROM EC PROPOSAL WITHDRAW SCHEDULES OF ACCEDING COUNTRIES AND REPLACE THEM (AS WELL AS EC SCHEDULE) BY THAT OF THE SIX (WITH MODIFICATION OF CERTAIN TARIFF QUOTAS), IT WILL BE NECESSARY TO ARRIVE AT NET US CLAIMS BY TAKING DUE ACCOUNT OF " THE COMPENSATION ALREADY AFFORDED BY THE REDUCTIONS BROUGHT ABOUT IN THE CORRESPONDING DUTY OF THE OTHER CONSTITUTENTS OF THE UNION" (SEE SECOND SENTENCE, PARA 6, ART XXIV OF GATT).

2. THIS THREATENS TO BECOME DIFFICULT AND TIME CONSUMING TASK, ESPECIALLY FOR BOUND CXT ITEMS CORRESPONDING TO ITEMS NOT BOUND IN ONE OR TWO OF THE ACCEDING COUNTRY SCHEDULES. IS CREDIT TO BE GIVEN FOR EXTENSION OF CXT BINDING TO TERRITORIES OF ACCEDING COUNTRIES? EQUITY WOULD SEEM TO CALL FOR SUCH CREDIT, ESPECIALLY WHEN UN-

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BOUND RATES MOVE TO LOWER OR INDENTICAL BOUND RATES.
IF CREDIT IS TO BE GIVEN FOR BINDINGS AS SUCH (IN ADDITION TO CREDIT FOR DUTY REDUCTION) HOW IS IT TO BE QUANTIFIED, SO AS TO OFFSET IT AGAINST THE DEBIT ARISING FROM THE FACT THAT IN EACH SUCH CASE A BOUND TARIFF IN AN ACCEDING COUNTRY IS BEING REPLACED BY A CXT BINDING AT A HIGHER RATE? WE SEE NO MATHEMATICAL FORMULA FOR DOING THIS, AND ANTICIPATE MUCH TIME- CONSUMING HAGGLING OVER EACH SUCH CASES (OF WHICH ARE NUMEROUS).

3. WE NOTE THAT THE LANGUAGE OF ART XXIV:6 DOES NOT SEEM TO REQUIRE TAKING BINDINGS INTO ACCOUNT -- IT REFERS ONLY TO " REDUCTIONS OF DUTY." WE WONDER, THEREFORE, IF WE COULD NOT TAKE THE POSITION THAT WE ARE NOT REQUIRED TO TAKE EXTENSION OF CXT BINDING TO TERRITORIES OF ACCEDING COUNTRIES INTO ACCOUNT IN DETERMINING NET DEBITS FROM DUTY INCREASES. THE EQUITY CONSIDERATION MENTIONED IN PARA 3 ABOVE COULD BE TAKEN INTO ACCOUNT, IF EC AGREES, BY CONSIDERING SUCH EXTENSION OF BINDINGS AS OFFERS OF COMPENSATION TO BE TREATED AS SUCH, PURSUANT TO THE PROCEDURES OF ART XXVIII.

4. THE EC MAY NOT, OF COURSE, AGREE TO THIS PROPOSAL, AS IT WOULD AUGMENT THEIR NET DEBITS AND INCREASE THE MAGNITUDE OF POTENTIAL US WITHDRAWALS, SHOULD NEGOTIATION NOT RESULT IN AGREEMENT. FURTHERMORE, US MIGHT NOT AGREE GIVE EC CREDIT FOR SOME OF THE PROFFERED COMPENSATION. EC WOULD HAVE EITHER TO EXTEND TO US COMPENSATION OF NO INTEREST TO IT OR TO INCREASE CXT BEYOND LEVELS AGREED IN ACCESSION TREATY.

5. REQUEST LEGAL OPINION ON POSSIBILITY OUR REFUSING TAKE " DUE ACCOUNT" OF BINDINGS IN COMPUTATIONS CALLED FOR BY SECOND SENTENCE ART XXIV:6. RIMESTAD

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